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Monroe Chamber of Commerce, Inc.

Financial Statements
Years Ended December 31, 2004 and 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-6-05

Monroe Chamber of Commerce, Inc.

December 31, 2004 and 2003

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Francis I. Huffman, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Directors Monroe Chamber of Commerce, Inc.

We have audited the accompanying statements of financial position of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Chamber's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chamber as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005, on our consideration of the Chamber's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(A Professional Accounting Corporation)

March 15, 2005

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MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2004	2003
ASSETS		
Current Assets		
Cash	\$ 252,203	\$ 251,543
Receivables:		
Membership Dues	14,280	20,424
Total Resource Development Campaign	175,376	240,772
City of Monroe	25,000	25,000
State-Department of Labor	13,750	13,750
Federal-Technology Opportunities Program	11,029	11,995
Other	7,000	29,802
Total Current Assets	498,638	593,286
Property and Equipment		
Furniture, Fixtures and Equipment	203,432	483,447
Less: Accumulated Depreciation	(85,151)	(181,798)
Net Property and Equipment	118,281	301,649
Other Assets		
Security Deposit	-	2,178
Investment in Milner Building, L.L.C. (Note 2)	100,000	100,000
Prepaid Expenses	8,328	12,190
Total Other Assets	108,328	114,368
TOTAL ASSETS	\$ 725,247	\$ 1,009,303

The accompanying notes are an integral part of these statements.

December 31,	
2004	2003

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 52,939	\$ 62,826
Accrued Payables	2,773	2,200
Capital Lease Obligations (Current Portion)	639	8,280
Note Payable (Current Portion)	20,000	20,000
Deferred Revenue:		
Membership Dues	103,747	111,900
Total Resource Development Campaign	222,914	250,086
Total Current Liabilities	<u>403,012</u>	<u>455,292</u>

Long Term Liabilities

Capital Lease Obligations (Note 3)	-	639
Note Payable (Note 4)	60,000	80,000
Total Long Term Liabilities	<u>60,000</u>	<u>80,639</u>
Total Liabilities	<u>463,012</u>	<u>535,931</u>

Net Assets

Unrestricted	262,235	316,788
Temporarily Restricted		
Workforce Development Division	-	156,584
Total Net Assets	<u>262,235</u>	<u>473,372</u>

TOTAL LIABILITIES AND NET ASSETS

	<u>\$ 725,247</u>	<u>\$ 1,009,303</u>
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MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2004	2003
Changes in Unrestricted Net Assets		
Support:		
Membership Dues	\$ 299,003	\$ 295,074
Administrative Division	39,913	35,265
Communications Division	224,120	217,175
Workforce Development Division	144,032	155,835
Government Relations/Affairs Division	242,541	249,129
Governmental Contracts	205,000	235,000
Leadership Division	31,820	30,715
Annual Banquet	43,184	36,976
Investment Income	9,410	9,174
Fund Raising	98,545	72,505
Total Unrestricted Support	1,337,568	1,336,848
 Net Assets Released From Time Restrictions	 186,378	 181,650
 Total Unrestricted Support and Net Assets Released From Time Restrictions	 1,523,946	 1,518,498
 Expenses		
Program Services:		
Workforce Development Division	352,543	295,358
Government Relations/Affairs Division	326,670	265,626
Membership Services Division	315,649	286,922
Total Program Services Expenses	994,862	847,906
Supporting Services:		
Management and General (Note 7)	456,668	456,129
Fund Raising (Note 7)	42,928	39,717
Membership Development (Note 7)	84,041	80,414
Total Supporting Services Expenses	583,637	576,260
Total Expenses	1,578,499	1,424,166
 Increase (Decrease) in Unrestricted Net Assets	 (54,553)	 94,332
 Changes in Temporarily Restricted Net Assets		
Workforce Development Division	29,794	43,550
 Net Assets Released from Time Restrictions - Workforce Development Division	 (186,378)	 (181,650)
 Decrease in Temporarily Restricted Net Assets	 (156,584)	 (138,100)
 Decrease in Net Assets	 (211,137)	 (43,768)
 Net Assets at Beginning of Year	 473,372	 517,140
 NET ASSETS AT END OF YEAR	 \$ 262,235	 \$ 473,372

The accompanying notes are an integral part of these statements.

MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2004	2003
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (211,137)	\$ (43,768)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	100,662	122,901
Loss on Disposal of Capital Assets (Note 6)	86,815	-
Changes in Assets and Liabilities:		
Membership Dues Receivable	6,142	(7,662)
Other Receivables	89,164	153,572
Prepaid and Other Assets	6,040	15,213
Accounts Payable	(9,887)	(152,577)
Accrued Payables	573	361
Deferred Revenue	(35,325)	19,389
Total Adjustments	244,184	151,197
Net Cash Provided by Operating Activities	33,047	107,429
Cash Flows from Financing Activities		
Principal Paid on Capital Lease	(8,280)	(7,434)
Principal Paid on Note Payable	(20,000)	-
Net Cash Used by Financing Activities	(28,280)	(7,434)
Cash Flows from Investing Activities		
Maturity of Investments (Net)	-	68,792
Acquisition of Property and Equipment (Net)	(4,107)	(10,539)
Net Cash Provided (Used) by Investing Activities	(4,107)	58,253
Net Increase in Cash and Cash Equivalents	660	158,248
Cash and Cash Equivalents at Beginning of Year	251,543	93,295
Cash and Cash Equivalents at End of Year	\$ 252,203	\$ 251,543
Supplemental Disclosures:		
Cash Paid During the Year for:		
Interest	\$ 5,480	\$ 6,648
Income Taxes	\$ 1,565	\$ 1,510

The accompanying notes are an integral part of these statements.

**MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003**

Note 1 - Summary of Significant Accounting Policies

Organization

The Monroe Chamber of Commerce, Inc. (the Chamber) was incorporated in September 1947 under the laws of the State of Louisiana. The Articles of Incorporation were restated in January 1997, and among other things, stated that the objects and purposes of the organization are for the advancement of the civic, commercial, economic, industrial and agricultural interests of the Parish of Ouachita and the surrounding trade area; the promotion of the general welfare, health and cultural well-being within that territory; and the stimulation of public sentiment toward those ends; and the sponsorship of the engagement in all lawful activities which promote the accomplishment of these purposes.

Basis of Accounting

The financial statements of the Chamber have been prepared on the accrual basis. The significant accounting policies followed by the Chamber are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost. Expenditures that are greater than \$500 for additions, major renewals and betterments are capitalized. All other expenditures are expensed as incurred. The cost of assets retired or otherwise removed and the related accumulated depreciation are eliminated from the accounts in the year of removal, with the resulting gain or loss credited or charged to operations. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets ranging from five to twenty years for the office furniture and equipment and leasehold improvements, respectively.

Through the Total Resource Development Campaign, the Chamber obtained the use of three vehicles. The agreements for the use of the vehicles are open-ended and provide for the Chamber to provide adequate insurance coverage and cover regular maintenance and operating costs. No value for these vehicles is included in property and equipment but the fair value of these vehicles is included in Administrative Division Support and in Management and General expense.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Deferred Revenue

Membership dues are billed on a monthly basis, coinciding with the month the member joined the Chamber. Membership revenue is deferred and recognized in the statement of activities on a straight-line basis over a one year period. Membership receivables are written off as uncollectible when they become 120 days past due.

Other deferred revenue consists of commitments received during the Total Resource Development Campaign for events or programs to be carried out in the following year. These deferred revenues are recognized as income either on a straight line basis or as the individual events occur.

Compensated Absences

Employees receive one week of vacation after six months, two weeks after one year, three weeks after five years, and four weeks after ten years of service. Vacation time is forfeited unless taken by year-end. Five days of sick leave are allowed annually. Employees are not compensated for any unused leave upon termination. Accordingly, no accrual for unpaid leave time is included in the financial statements.

Net Assets

The unrestricted-undesignated net assets represent the surplus accumulated over several years through normal operations of the Chamber. Income from restricted sources which is received during the fiscal year and for which the restrictions are satisfied within the same fiscal year, is represented in the changes in unrestricted net assets.

At December 31, 2004 there were no temporarily restricted net assets or permanently restricted net assets.

Statements of Cash Flows

For the purposes of the statements of cash flows, the Chamber considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

Program services expenses are those directly related to the purposes for which the Chamber exists. Supporting services expenses reflect other expenses incurred in operating the programs, fund raising and membership development. Various operating expenses not directly connected with a specific function or program service is allocated to supporting services. The direct costs of providing the various programs and other activities have been summarized in the statements of activities. Salaries and employee benefits are allocated

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

to program and supporting services based upon management's estimate of time each employee devotes to various activities.

Programs services include:

Workforce Development Division – supports a combination of educational and workforce training needs throughout the region served by the Chamber. Some of the programs sponsored by the division are Workforce Investment Board partnership, Accent on Excellence Breakfast, the Incumbent Worker Training program, the regional Career Fair and the Job Shadowing program.

Government Relations/Affairs Division – focuses on state, local and federal government initiatives. The Chamber maintains a full-time staff person in Baton Rouge during the Legislative Sessions as well as conducting the annual Northern Exposure advocacy trip to the State Capital. On the local front, the Chamber has contracted with the City of Monroe, to represent these agencies in the areas of economic development, state and federal advocacy, and transportation and infrastructure. The Chamber also conducts two trips to Washington, D. C., to meet with House and Senate members as well as various Federal agencies to promote issues of concern for our area.

Membership Services Division – benefits members of the Chamber by providing valuable information through a weekly newsletter and a quarterly newsmagazine. The Chamber also provides literature to acquaint newcomers with Ouachita Parish which is also available on the Chamber's web site.

Supporting services include:

Management and General – includes oversight, business management, general record keeping, budgeting, financing, soliciting revenue from exchange transactions, such as government contracts and related administrative activities.

Fund Raising - includes the costs of the annual Holiday Auction held in December of each year.

Membership Development – includes soliciting for prospective members, membership dues and the Total Resource Development Campaign. In 1997 the Chamber implemented the Total Resource Development Campaign to solicit participation in and support of its various programs in fulfilling the mission of the Chamber and enhancing benefits to the membership.

Basis of Presentation

Contributions received by the Chamber are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

restrictions. The Chamber reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The balance of temporarily restricted net assets at December 31, 2003, represents the value of equipment purchased with federal funds less accumulated depreciation. These restrictions were removed in 2004 resulting in no temporarily restricted net assets at December 31, 2004 (see note 6). The Chamber did not have any permanently restricted net assets at December 31, 2004 or 2003.

Tax Status

The Chamber has qualified as an organization exempt from federal income taxes pursuant to Section 501(c)(6) of the Internal Revenue Code; therefore, there is no provision for income taxes in the accompanying financial statements except for tax on unrelated trade or business income related to maps and tabloids.

Note 2 - Investment in Milner Building, LLC

On March 20, 2002 the Chamber entered into an operating agreement with RTR of Monroe, LLC (also see Note 9) creating the Milner Building, LLC for the operation of a commercial office building in downtown Monroe. Under the agreement, RTR of Monroe, LLC has a 90% equity ownership and the Chamber a 10% equity ownership of Milner Building, LLC. The Chamber paid \$100,000 for its 10% interest. Per the operating agreement the Chamber shall be paid, as a priority distribution, \$7,000 annually from the operating cash flow, if any, after all expenses and debt service have been paid. Additionally, the Chamber will receive 10% of any remaining cash flow after payment of the priority distribution above.

Note 3 - Capital Lease-Computer Equipment

During 2002, the Chamber acquired \$21,425 of computer equipment through a capital lease. Capital leases give rise to both property rights and long-term lease obligations and are reflected on the Chamber's Statement of Net Assets. Lease payments for the years ended December 31, 2004 and 2003, totaled \$8,842 for each year. At December 31, 2004 future minimum lease payments under capital lease obligations are as follows:

Year	Capital Lease
2005	\$ 644
Less: Amounts Representing Interest	(5)
Net Present Value of Future Minimum Lease Payments	\$ 639

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 4 - Note Payable

The Chamber executed a promissory note on December 5, 2003 with an interest rate of 5.25%. It is being repaid over the next 4 years with principal payments of \$1,667 per month (\$20,000 per year) plus interest, also paid monthly.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 20,000	\$ 3,770	\$ 23,770
2006	20,000	2,705	22,705
2007	20,000	1,641	21,641
2008	20,000	578	20,578
Total	<u>\$ 80,000</u>	<u>\$ 8,694</u>	<u>\$ 88,694</u>

Note 5 - Department of Labor Cooperative Endeavor Agreement

The State of Louisiana renewed its one year \$55,000 cooperative endeavor agreement with the Chamber on April 1, 2004. This contract can be renewed for two additional one year terms for \$55,000 per year. The State can terminate the agreement with 30 days notice. The main purpose of the contract is to “provide a regional business liaison, and staff support for the Regional Business Liaison for the continued development and implementation of a marketing plan to recruit business and industry consortia to participate in programs administered by the Louisiana Department of Labor and its partners in the One-Stop System established pursuant to the Workforce Investment Act.”

Note 6 - Technology Opportunities Program

In September, 2001, the Chamber was awarded a grant from the United States Department of Commerce to promote the use and availability of advanced telecommunications technologies in the region. This program was carried out at various educational sites in Northeast Louisiana. For the years ended December 31, 2004 and 2003, the Chamber has recognized \$29,794 and \$43,550, respectively in revenues under the program.

This grant ended on schedule on September 30, 2004. At that time, ownership of the equipment located at each of the sites vested with each of the individual sites. Of the \$296,435 (less accumulated depreciation of \$204,447) in equipment purchased by the grant, \$284,122 (less accumulated depreciation of \$197,307) transferred to these other sites. This transfer of equipment generated an \$86,815 loss on disposal of capital assets.

The remaining \$12,313 (less accumulated depreciation of \$7,140) in equipment remains in the Chamber’s Property and Equipment.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 7 - Supporting Services

Management and General expenses consist of the following for 2004 and 2003, respectively.

	<u>2004</u>	<u>2003</u>
Salaries and Employee Benefits	\$ 171,973	\$ 173,367
Lease-Office Space (Note 8)	71,960	71,960
Service Contracts and Repairs	36,946	34,526
Telephone	29,122	23,857
Depreciation	25,527	25,551
Office Supplies	23,567	27,537
Professional Fees	21,627	18,365
Automobile Expense	18,272	20,662
Postage	11,629	13,656
Continuing Education	7,804	2,717
Insurance	7,615	8,379
Interest	5,480	6,648
Lease-Office Equipment (Note 9)	5,182	6,885
Travel and Entertainment	2,399	55
Unrelated Business Income Taxes	1,950	2,423
Other	<u>15,615</u>	<u>19,541</u>
Total	<u>\$ 456,668</u>	<u>\$ 456,129</u>

Fund raising expenses consist of the following for 2004 and 2003, respectively.

	<u>2004</u>	<u>2003</u>
Salaries and Employee Benefits	\$ 6,723	\$ 6,412
Christmas Auction	36,205	33,305
Total	<u>\$ 42,928</u>	<u>\$ 39,717</u>

Membership development expenses consist of the following for 2004 and 2003, respectively.

	<u>2004</u>	<u>2003</u>
Salaries and Employee Benefits	\$ 38,709	\$ 37,740
Annual Meeting and Banquet	23,260	24,894
Printing and Developing	4,146	5,565
Other	<u>17,926</u>	<u>12,215</u>
Total	<u>\$ 84,041</u>	<u>\$ 80,414</u>

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

Note 8 - Operating Lease -Office Space

The Chamber leases office space from RTR of Monroe, Inc., under a ten year noncancelable operating lease, from March 1, 2002 until February 28, 2012. Total rental expenses for the years ended December 31, 2004 and 2003, is \$71,960 for each year. Future minimum lease payments required under the operating lease are as follows:

	Operating Lease
2005	\$ 71,960
2006	71,960
2007	71,960
2008	71,960
2009	71,960
2010-2012	155,913
Total minimum lease payments	\$ 515,713

The Chamber subleases some of its office space to the Minority Business Council of Northeast Louisiana . This \$4,800 one year operating lease began on October 1, 2004 and ends on September 30, 2005. The Chamber prorated the first month's rent to \$60. Rental income for the year ended December 31, 2004, is \$860. The future minimum lease payment required under the operating lease is \$3,600 in 2005.

Note 9 - Operating Lease - Copier

The Chamber leases a copier from Ricoh Corporation under a 3 year noncancelable operating lease from July 1, 2003 to June 30, 2006. Total rental expenses for the years ended December 31, 2004 and 2003 is \$5,182 and \$6,885, respectively. Future minimum lease payments require under the operating lease are \$5,178 for 2005 and \$2,589 for 2006.

Note 10 - Employee Retirement Plan

The Chamber provides a 401 (k) retirement plan for eligible employees. To participate in the plan, employees must be at least 21 years of age and have provided one year of service. The Chamber contributes 5% of participating employees' earnings. Employees may make a pre-tax voluntary contribution of up to 100% of their compensation or the maximum amount permitted by law to the plan. The Chamber contributed \$19,555 and \$21,531 to this plan for the years ended December 31, 2004 and 2003, respectively.

Note 11 - Concentration of Credit Risk

All of the membership dues receivable represents amounts due from businesses located within Ouachita Parish and mostly within the city of Monroe. Approximately seventy percent of other receivables represent amounts due from the membership for participation

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

in other programs such as leadership, government relations and similar programs. The Chamber does not require any security or collateral from its membership to secure these amounts. Failure of the membership to perform as promised could impact the Chamber's ability to collect \$189,656.

Approximately 22% of the Chamber's support for 2004, is from two local governments. However, one of the local governments did not continue its support past June 30, 2004. Its \$55,000 contribution in 2004 accounts for approximately 5% of support.

The Chamber has various deposit accounts at one federally insured financial institution. At December 31, 2004, the bank balances in these accounts exceeded the FDIC insurance by \$185,543.

Note 12 - Related Party Transactions

Members of the Chamber's Board of Directors (Executive Committee) are also members of the Monroe Chamber Foundation's Board of Directors.

A member of the Chamber Board of Directors is also a part owner of RTR of Monroe, LLC (See Note 8).



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Board of Directors
Monroe Chamber of Commerce, Inc.**

We have audited the financial statements of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Chamber's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 04-01.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Chamber's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Chamber's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 04-01.

**Board of Directors
Monroe Chamber of Commerce**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we consider item 04-01 referenced in the previous paragraph to be a material weakness.

This report is intended for the information of management of the Chamber, entities granting funds to the Chamber and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

March 15, 2005

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004

04-01 DEFERRED REVENUES

Finding:

The Chamber did not record some of its financial activities during 2004. These transactions were the 2005 Total Resource Development Campaign totaling \$143,850, and the 2004/2005 tradeouts for membership dues in exchange for Christmas auction items or other services provided by members totaling \$30,360.

As a result, receivables were understated by \$152,555, deferred revenues were underreported by \$159,030, membership revenues were underreported by \$15,180, and expenses were underreported by \$21,655.

Recommendation:

We recommend that the Chamber evaluate all of its financial activities on an on-going basis to ensure that all transactions are accurately accounted for and reported in the proper period.

Management's Corrective Action Plan:

Due to the fact that the Total Resource Development Campaign is an on-going campaign that overlaps our December year-end, the Chamber wanted to wait until they had a chance to confer with the auditors on the best way to report these receivables and deferred revenues. The Chamber had a change in personnel at this critical time, which resulted in an increased workload in the accounting office and was not able to generate these entries before the audit began.

With respect to the future, the Chamber will set up the Total Resource Development Campaign as the commitments occur and monitor this activity by a spreadsheet from the Membership/Total Resource Division. We will also monitor our non-cash activity by taking steps to evaluate this activity on an on-going basis to determine if all transactions have been accounted for in the appropriate period.

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana

SUMMARY STATUS OF PRIOR YEAR FINDINGS

The following is a summary of the status of findings included in the Schedule of Findings and Questioned Costs dated March 4, 2004, issued in connection with the examination of the financial statements of the Monroe Chamber of Commerce, Inc., as of and for the year ended December 31, 2003.

03-01 Deferred Revenues

Some of the Chamber's deferred revenues and receivables derived from noncash transactions related to the Total Resource Development Campaign in the amount of \$108,500 at December 31, 2002 were reversed against each other during 2003 instead of being recognized as revenues and expenses.

Status:

The Chamber now recognizes the revenues and expenses on the deferred revenues and receivables derived from non-cash transactions. Some of those transactions are recognized monthly over the year and some of those are recognized when programs occur (i.e. Northern Exposure, Accent on Excellence, etc.). A spreadsheet has been setup to back up the general ledger entries and there is now a financial report that is presented to the Finance and Executive Committees each month. The accounting staff is working more closely with the entire chamber staff to ensure utilization of the non-cash commitments from members.

Management Letter

Accounts Payable Voided Checks

The Chamber voided various accounts payable transactions which were reinstated into accounts payable and expenses by the accounts payable program.

Status:

The Chamber has put into place a process in which the accounts payable general ledger account is reconciled each month to balance with the aged payable report. Any invoices relating to the voiding of checks are removed per instructions of the Peachtree Accounting Software Company.



Luffey
Huffman
& Monroe

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MANAGEMENT LETTER

Monroe Chamber of Commerce, Inc. Monroe, Louisiana

In planning and performing our audit of the financial statements of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of and for the years ended December 31, 2004 and 2003, we considered its internal controls in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on the internal controls structure or overall compliance with laws and regulations.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls. This letter will summarize our comments and suggestions. This letter does not affect our report dated March 15, 2005 on the financial statements of the Chamber.

FEDERAL AND STATE REPORTING

Finding:

The Chamber did not correctly report FICA and Medicare wages on IRS Forms W-2's, W-3's and the fourth quarter's Form 941 as a result of not deducting sheltered deductions from gross wages on these forms. State wages were also incorrectly stated as a result of not deducting employee 401(k) withholdings.

As a result, corrections were required to be filed with the Social Security Administration, the Internal Revenue Service and the State of Louisiana as well as with each of the employees affected.

Recommendation:

We recommend that the Chamber initiate a review process where someone other than the preparer review the W-2's for accuracy. The preparer should provide supporting calculations to facilitate this review.

Management's Corrective Action Plan:

Although the Chamber did not report FICA and Medicare wages on IRS forms W-2 and W-3 and fourth quarter 941 form correctly at the end of the year, the sheltered deductions of the employee 401(K) withholdings were deducted correctly throughout the year for each individual employee. The incorrect reporting of FICA and Medicare Wages at the end of the year was due to requirement in the upgrade of the Peachtree

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Monroe Chamber of Commerce, Inc.
Management Letter
March 15, 2005

Accounting Software. The restrictions of the configuration of our network forced us to install PC's in the accounting office. The incorrect reporting was a result of the oversight of changing the default settings for those particular reports within the Peachtree Accounting Software.

The resulting incorrect reporting of the FICA and Medicare Wages did not have a significant affect on the financial position of the Chamber and the reporting was corrected as soon the error was found within the guidelines of the Social Security Administration, the Internal Revenue Service and the State of Louisiana.

The Chamber agrees with the recommendation in which we have someone else review the W-2's for accuracy in the future and we will create a spreadsheet to include supporting documentation for the reviewer.



(A Professional Accounting Corporation)

March 15, 2005